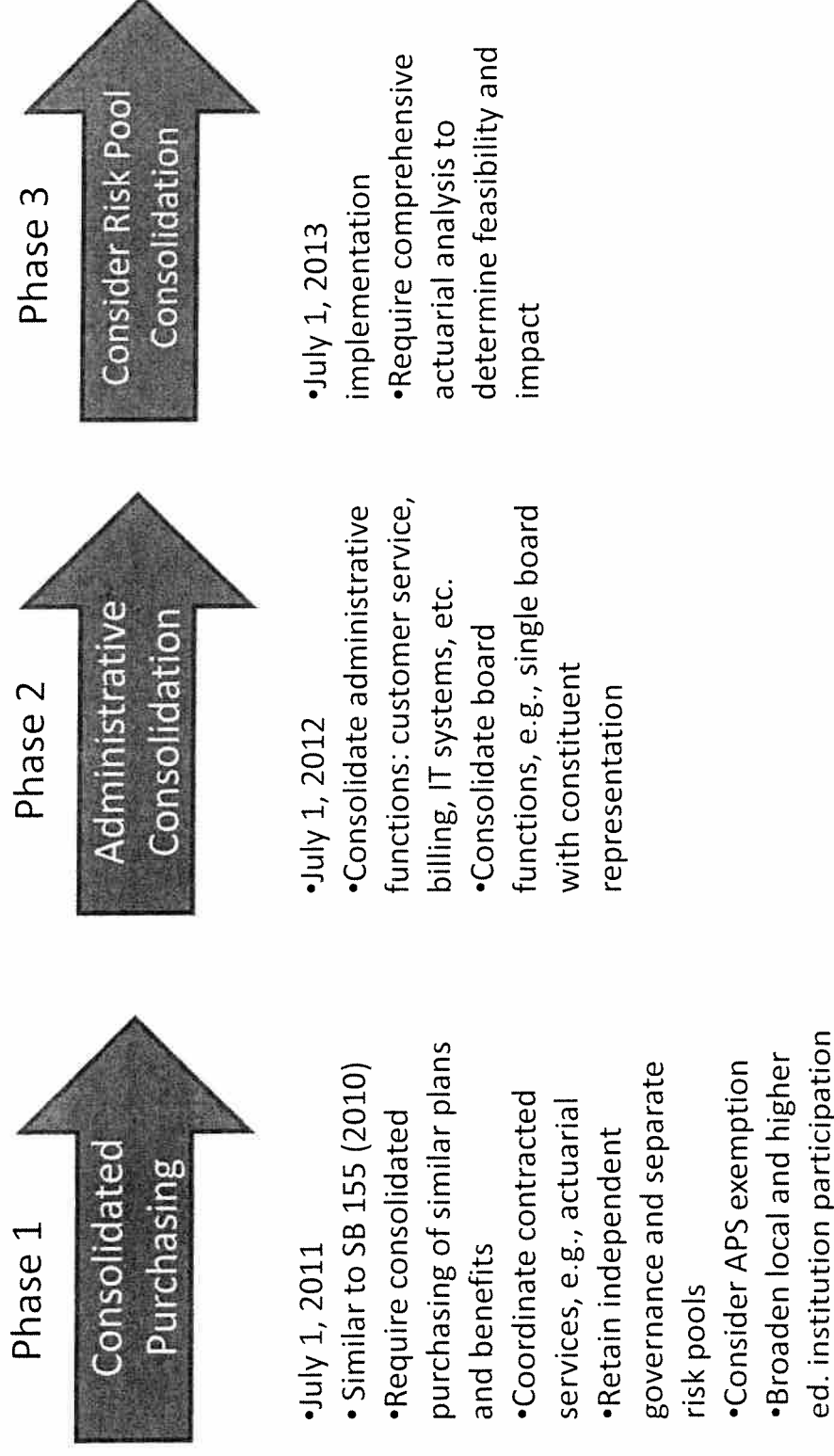


Phased IBAC Consolidation Options



Interagency Benefits Advisory Committee: Options to Improve Efficiency and Achieve Cost Savings

Prepared for Government Restructuring Taskforce

OPTION 1: Amend the Health Care Purchasing Act to consolidate the health plan purchasing and health policy goals of each of the four IBAC entities including GSD, PSIA, RHCA and APS. Similar legislation was introduced during the 2010 regular session (SB 155, Sen. Clinton Harden), which was endorsed by the governor and Legislative Health and Human Services Committee.

Key Features:

1. Provide options for health care benefits among similar populations for Medicare supplement, pregnancy, high risk, age appropriate services, geographic considerations, coordination of benefits or other unique services identified jointly by the agencies.
2. Adopt uniform medical plans across the four IBAC entities.
3. Adopt consistent member services functions for enrollment, premium collection and other activities.
4. Adopt uniform vendors to administer the medical, prescription, dental, vision, and life insurance plans.
5. Select the same actuarial firm to provide the agencies with funding projections and solvency analysis, with the caveat that if more than one firm is selected, it shall be by consensus of the agencies.
6. Deletes the requirement for health plans to be bid with a distinct service area of the Albuquerque metropolitan area.
7. Require that counties, municipalities, state educational institutions and other political subdivisions to participate in one of the plans administered by one of the IBAC entities.
8. Limit the governing Board's authority to develop individual plan design, but provide for the Board to recommend plan development.
9. Require that premium assessment will be made in accordance with existing statutes governing contributions for each agency.
10. Add a section that would allow APS to opt out of the health care purchasing act if an actuarial analysis reveals that the continued participation under the health care purchasing act is not actuarially sound. The decision to withdraw would be subject to dispute resolution.
11. Include a provision for dispute resolution by arbitration or mediation or other means.

Significant Issues:

1. This proposal would allow each IBAC entity to retain its current governance structure.
2. The Group Benefits Act, the Retiree Health Care Act, and the Public School Insurance Authority Act would not be amended, and the individual funds/risk pools would remain separate.
3. May consider exemption for Albuquerque Public Schools.

Savings Opportunities:

1. Vendors who provide services to these groups would likely offer more competitive fees to service the four groups. For example the recent selection of Medco to serve as the pharmacy benefits administrator for all IBAC entities with is projected to save \$50 million over the next four years. In addition:
 - a. Vendors currently being offered by only one agency will have the opportunity to expand its membership if offered to the larger group.
 - b. Many of the IBAC vendors currently have call centers or labs in New Mexico and failure to retain IBAC business would result in the loss of employment in New Mexico.

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2. Developing a common benefit framework for all public agencies would support strengthening the IBAC's purchasing leverage among the provider community.
3. The selection of one actuarial firm to provide funding projections and actuarial analysis may reduce contractual services expenses.

Additional Benefits:

1. The adoption of uniform medical plans across all four agencies will ensure that each group will have access to the same services and plan providers.
2. The IBAC will be required to develop formal decision-making procedures to prevent outside influences when developing plan design and the procurement of vendors.

Implementation: July 1, 2011

OPTION 2: Phase 1 - Amend the Health Care Purchasing Act to consolidate the health plan purchasing and health policy goals of each of the four IBAC entities including GSD, PSIA, RHCA and APS. Similar legislation was introduced during the 2010 regular session (SB 155) which was endorsed by the governor and Legislative Health and Human Services Committee. The same key features, significant issues, savings opportunities, additional benefits and implementation timeline apply.

Phase 2: Amend the Group Benefits Act, the Retiree Health Care Act, and the Public School Insurance Authority Act to consolidate administrative functions including: customer service, billing, and eligibility. In addition, this proposal would eliminate the existing boards and create a new board with members from each of the other groups. However, the individual funds/risk pools would remain separate.

Key Features:

1. Consolidates administrative functions under one organization.
2. Consolidates Board functions.

Significant Issues:

1. The proposal would develop a new governance structure that would be responsible for developing and maintaining a group health benefits program for all employees.

Savings Opportunities:

1. Reduce administrative overhead.
2. Reduce Board costs by creating one Board instead of several.

Additional Benefits:

1. This would create one central point of contact for all public employee group health benefit issues.

Implementation: July 1, 2012

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OPTION 3: Phase 1 - Amend the Health Care Purchasing Act to consolidate the health plan purchasing and health policy goals of each of the four IBAC entities including GSD, PSIA, RHCA and APS. Similar legislation was introduced during the 2010 regular session (SB 155) which was endorsed by the governor and Legislative Health and Human Services Committee. The same key features, significant issues, savings opportunities, additional benefits and implementation timeline apply.

Implementation: July 1, 2011

Phase 2: Amend the Group Benefits Act, the Retiree Health Care Act, and the Public School Insurance Authority Act to consolidate administrative functions including: customer service, billing, and eligibility. In addition, this proposal would eliminate the existing boards and create a new board with members from each of the other groups. However, the individual funds/risk pools would remain separate. The same key features, significant issues, savings opportunities, additional benefits and implementation timeline apply.

Implementation: July 1, 2012

Phase 3: Amend the Group Benefits Act, the Retiree Health Care Act, and the Public School Insurance Authority Act to consolidate risk pools if determined to be in the best financial interest of all involved parties as determined by an independent actuarial analysis.

Key Features:

1. May provide a more sustainable approach toward dealing with RHCA's long-term solvency.
2. Would only be implemented if determined to be in the best financial interest of all involved parties.

Significant Issues:

1. It is unclear whether or not the third phase of this proposal is financial viable.

Savings Opportunities:

1. Opportunity to invest a greater portion of fund balances from each of the funds in order to leverage larger returns on investment.

Additional Benefits:

1. This would create one central employee group health fund for all public employee employees.

Implementation: July 1, 2013